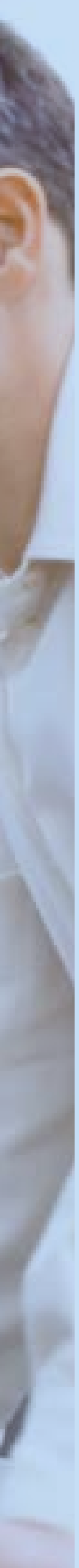
VALUE
CHAIN

TAX ADVISORY SERVICES



Your business derives its value from the interplay of a variety of activities and assets

A value chain tax analysis can help you gain a clearer picture of the role and significance of each of those value drivers and ensure the group's tax strategy is aligned with the value creation story.

There are two primary reasons for international groups to undertake a value chain tax review:

- First, in a post BEPS environment tax authorities around the world want to understand more about the value creation story of a business and ensure the profits are being taxed where the value is created. A value chain tax review will provide the information that the management, tax authorities and other stakeholders need to understand how the value creation is aligned with the tax profile of a group.
- Second, whenever an international business is changing its structure, the change is likely to affect the group's value chain. A value chain tax review will determine how the restructuring would be viewed by tax authorities in different countries – have any intangible assets been moved cross-border; would a compensation payment be due; where would future profits be expected to be generated; would the restructuring costs be tax deductible?

In either situation, a value chain tax review will help manage tax risk and identify opportunities for tax efficiencies.

Demonstrating the commercial realities of your business

As a result of BEPS, it is becoming increasingly important that businesses be able to demonstrate that their tax structure reflects the commercial realities of how their business operates. By identifying all your value drivers and their location, you can demonstrate that your tax structure reflects your commercial reality. If the value chain analysis exposes a misalignment, the analysis can be the starting point for deciding what changes to make in your business models to minimise your tax risk.

The new Transfer Pricing Documentation requirements of the OECD include an explanation of the value creation story of a business. This will be used by tax authorities around the world to risk assess international businesses and to see whether their transfer pricing position requires more detailed investigation. A value chain tax analysis will provide the information required for the new documentation requirements and help pre-empt questions from tax authorities.

Changing business structures

Changes to your business model that can profoundly impact your value chain include things like:

- Development and launch of new products
- Setting up in new markets
- Introducing central procurement
- Moving production to lower-cost countries
- Changing or moving the management structure
- Integrating new acquisitions
- Changing the way you contract with customers.

When you embark on such business changes, you need to understand the tax implications. You should also ensure you are maximising available tax benefits. Fortunately, BDO's Value Chain Tax specialists can help with this. Our specialists have experience delivering coordinated global support to organisations embarking on business model change.

We can provide you with practical advice that:

- Supports the finance function through the decision-making process
- Builds on commercial priorities
- Helps you manage and mitigate the tax consequences, including identifying opportunities to minimise your effective tax rate.

We listen to you and make sure we understand your business. Then we tailor our advice to your specific situation. We provide practical and clear advice that enables you to make decisions and move forward. And, because we see ourselves as an extension of your team, we support you during and after implementation.

Key tax issues

The tax-related issues we can help you with when making changes that impact your value chain include:

- Analysing potential exit charges on the movement of assets
- Establishing transfer prices that are defensible and that give each activity an arm's length return
- Achieving the right level of substance to manage permanent establishment risks
- Managing sales taxes and customs duties
- Identifying activities that can be conducted in lower-tax jurisdictions.

Successful value chain tax analysis requires many talents

Successful value chain tax analysis requires diverse skills and expertise. Because it can have implications for transfer pricing, international corporate tax, expatriate tax, and indirect tax, you need advisors with wide-ranging tax expertise. Our global tax services network has the depth and breadth of tax expertise you need.

It also requires an understanding of business and finance. We have found that the most effective projects are those where the commercial and tax teams work together from the start. Because we believe in strong relationships, we see to it that all team members – at the client and among the BDO team – have a thorough understanding of the issues, challenges, and business situation.

And finally, to enable timely implementation of changes, you also need effective project management. Our Value Chain Tax specialists have extensive experience with that too.

Our specialists meet regularly to share knowledge and best practices. The result is that we bring the knowledge of our entire network to every engagement. And, if specific expertise is required, our Value Chain Tax specialists know who to turn to within our global network. Because we have a streamlined organisation and collaboration is embedded in our culture, there are no layers of bureaucracy. You always have direct access to senior level professionals.

We can help you with tax-related issues when making changes

BDO'S GLOBAL NETWORK

Serving clients across borders

BDO's seamless global approach allows us to serve clients through a central point of contact, giving you access to relevant experience across borders — where you need us, when you need us.

1,401
Offices worldwide

67,731
Highly skilled partners and staff worldwide

158
Countries and territories within our global reach

$7.6
billion global revenue

Statistics as of 30 September 2016 for member firms in the BDO network, including the members of their exclusive alliances.

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To talk to your local BDO Value Chain Tax expert, please visit the BDO web site for your country.

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BAHRAIN
BANGLADESH
BARBADOS
BELARUS
BELGIUM
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BOTSWANA
BRAZIL
BRITISH VIRGIN ISLANDS
BRUNEI DARUSSALAM
BULGARIA
BURUNDI
CAMBODIA
CANADA
CAPE VERDE
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COSTA RICA
CROATIA
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HUNGARY
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INDIA
INDONESIA
IRELAND
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IVORY COAST
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